

Agenda

Wednesday 1 June 2022 at the conclusion
of the Audit Committee
Audit Scotland, 102 West Port and
Microsoft TEAMS



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1. Private meeting of members
 2. Welcome and apologies
 3. Declarations of interest
 4. Items to be taken in private

Standing items

- | | |
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| 5. Chair's report - verbal update | For information |
| 6. Accountable Officer's report - verbal update | For information |
| 7. Accounts Commission Chair's report - verbal update | For information |
| 8. Review of Draft minutes: <ul style="list-style-type: none">• Board meeting: 17 May 2022 | For approval |
| 9. Review of action tracker | For information |
| 10. Covid-19 – verbal update | For information |

Strategic priorities

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| 11. Strategic Improvement Programme update | For information |
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Annual reporting and assurance

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| 12. 2021-22 Annual report from the Chair of the Audit Committee to the Board | For approval |
| 13. 2021/22 Annual report: Remuneration and Human Resources Committee | For approval |
| 14. Draft international work annual report for 2021-22 | For approval |
| 15. Policy on the provision of Non-Audit Services by Audit Scotland's external auditor | For approval |

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| 16. Governance statement and certificate of assurance 2021-22 | For approval |
| 17. Audit summary report for the year ended 31 March 2022 | For information |
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Conclusion

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| 18. Any other business | For discussion |
| 19. Review of meeting | For discussion |
| 20. Date of next meeting: 28 September 2022 | For information |
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Items to be taken in private

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| 21. Quality of public audit in Scotland 2021/22
[Item to be taken in private to support the effective conduct of business, intended for future publication] | For approval |
| 22. Q4 Corporate performance report
[Item to be taken in private to support the effective conduct of business, intended for future publication] | For information |
| 23. Draft Audit Scotland Annual Report and Accounts 2021/22
[Item to be taken in private to support the effective conduct of business, intended for future publication] | For approval |
| 24. Interim Corporate Plan 2022/23
[Item to be taken in private to support the effective conduct of business, intended for future publication] | For approval |

Minutes Board



Tuesday 17 May 2022, 10.00am
Audit Scotland by Microsoft Teams

Present:

Alan Alexander (Chair)
Stephen Boyle
Colin Crosby
Jackie Mann
William Moyes

Apologies:

There were no apologies.

In attendance:

Martin Walker, Acting Director of Corporate Services
Stuart Dennis, Corporate Finance Manager
Carolyn McLeod, Audit Director, Performance Audit and Best Value
Tricia Meldrum, Senior Manager, Performance Audit and Best Value
Jillian Matthew, Senior Manager, Performance Audit and Best Value
Gayle Fitzpatrick, Corporate Governance Manager
David Robertson, Digital Services Manager
Nicola Paton, Digital Project Manager, Digital Services
Susan Burgess, Assistant Human Resources Manager
Elaine Boyd, Associate Director, Audit Quality and Appointments
Kathrine Sibbald, Project Manager, Audit Quality and Appointments

1. Private meeting of Board members

The Board met privately and there were no matters arising.

2. Welcome and apologies

Martin Walker, Acting Director of Corporate Services and Stuart Dennis, Corporate Finance Manager, joined the meeting.

The Chair welcomed attendees to the meeting.

3. Declarations of interest

There were no declarations of interest.

4. Items to be taken in private

The Chair invited members to agree that item 21 of the agenda be considered in private for the reasons stated on the agenda. The members agreed.

5. Chair's report – verbal update

The Chair advised of regular meetings with Stephen Boyle, Auditor General for Scotland and Accountable Officer, William Moyes, the Chair of the Accounts Commission, and Martin Walker, Acting Director of Corporate Services on various operational matters.

The chair noted his involvement in the recruitment process for the Chief Operating Officer (COO), which is now complete, and confirmed that an appointment has been made. This news will be made public internally and externally today.

In addition, the Chair advised of his attendance at the Audit Committee and Remuneration and Human Resources Committee meetings on 11 May.

Following discussion, the Board welcomed the update.

6. Accountable Officer's report – verbal update

Stephen Boyle advised that he was pleased with the appointment of the new COO and provided an update on other three executive posts. It was noted that the recruitment process was complete and offers had been made. Stephen advised that reports on these appointments would go to the Board today for approval. He also advised that the new executive team should be in place over the summer. Announcements will be made in the coming days on these appointments and the Chair suggested an overall announcement on our new Executive Team as a whole may also be useful. The Board noted its thanks to Nicola Constable for all her hard work with the Executive Team recruitment process.

Stephen advised of his regular engagement with the Chair and the Chair of the Accounts Commission.

Stephen invited members to note the high level of activity in relation to Parliamentary business and the various sessions attended, including Health & Sport Committee on NHS Overview report and a number of Public Audit Committee engagements including the report on the progress of delivery of ferries and the Social Care briefing. There have also been evidence sessions on NHS Highland, South Lanarkshire College S22 report and further sessions with the Scottish Government and HMRC on Scottish Income Tax.

Stephen advised that he had met with Colin Beattie, Chair of Scottish Commission Public Audit at end of April. This was following the visit from The Public Audit Commission (TPAC) from UK Parliament. At their meeting they explored what this may mean for SCPA's oversight of audit quality – further updates will be provided on this as appropriate.

Stephen invited members to note his other external engagements, including a further meeting with the Chief Executive of Scottish Futures Trust, which provides support and advice in respect of major infrastructure investment. The Scottish Government has confirmed that Scottish Futures Trust will become a body whose auditors will be appointed by the Auditor General of Scotland. Stephen also advised that we are anticipating that this will also be the case for Scotrail Holdings.

Stephen advised that the UK and Ireland Auditors General would be meeting in Dublin next week along with the respective Chief Operating Officers of the audit agencies.

It was noted that the Convenor of the Public Audit Committee, Richard Leonard will be visiting the Audit Scotland office in Edinburgh to learn more about Audit Scotland and meet with colleagues on 14 June and that Board members are welcome to participate in this session.

Following discussion, the Board welcomed the update.

7. Accounts Commission Chair's report – verbal update

William Moyes advised the Board a lot of his time in recent weeks had been put into working on the Accounts Commission Change Programme. Over the next few months, he plans to meet with as many of the Convenors of the Committees in Parliament as possible and have more discussions with COSLA, SOLACE and other stakeholders.

Following discussion, the Board welcomed the update.

8. Review of minutes

Board meeting: 5 April 2022

The Board considered the minutes of the meeting of 5 April 2022, which had been previously circulated.

One small change was noted.

The Board approved the minutes as an accurate record of the meeting.

Audit Committee meeting: 2 March 2022

The Board noted the minutes of the Audit Committee meeting of 2 March 2022, which had been previously circulated.

The Board noted the minutes were an accurate record of the meeting.

Remuneration and Human Resources Committee meeting: 2 March 2022

The Board noted the minutes of the Remuneration and Human Resources Committee meeting of 2 March 2022, which had been previously circulated.

The Board noted the minutes were an accurate record of the meeting.

9. Review of action tracker

The Board noted the updates provided on the action tracker and no further updates were required at the meeting.

The Board welcomed the update.

10. Covid-19 update

Martin Walker introduced the Covid-19 update report, copies of which had been previously circulated. Martin provided an update on the ONS Survey statistics up to week ending 7

May and advised that the date of next pulse survey should read 17 May not 17 June as in the report.

A discussion took place about the future need and focus for the update report and whether it would be required as a standing item.

The Board agreed it would be beneficial to have a discussion at a future meeting around the need for and provision of office workspaces. Stuart Dennis advised that an options appraisal is being produced and that this would come to Management Team and Board for approval. A progress update on all of this is to come to the Board in September for further discussion.

Following discussion, the Board welcomed the update and noted the actions taken to date in response to the Covid-19 pandemic, the ongoing actions, and next steps.

11. Mainstreaming equality and equality outcomes: Interim progress report

Carolyn McLeod, Audit Director, Performance Audit and Best Value, Jillian Matthew, Senior Manager, Performance Audit and Best Value and Tricia Meldrum, Senior Manager, Performance Audit and Best Value joined the meeting.

Carolyn McLeod introduced the Mainstreaming equality and equality outcomes: Interim progress report, copies of which had been previously circulated.

Carolyn invited the Board to note the interim report, share views on the interactive format, comment on the progress being made against the equality outcomes and note that a full progress report would be shared for comment ahead of publication in spring 2023.

Board members noted that they found the report very informative and welcomed the new format. Members also noted that areas of focus over the next year would be refreshing the audit management framework guidance for performance audits, looking at the analysis of feedback from internal workshops, noting that colleagues want to learn more about what is meant by a human rights-based approach (HRBA) and what that means for our work, and an analysis on gender pay gap reporting. Carolyn advised there is a need to think about how we build knowledge and understanding of equality impact assessments and that the key to this is tying in equalities with other cross cutting themes across the business including climate change and digital services.

The Board agreed that it would like to have a future session on the Humans Rights Approach and Carolyn will suggest an appropriate time for this to come to the Board.

Following discussion, the Board noted the report and that a full progress report will be shared for comment ahead of publication in spring 2023.

ACTION ASB165: Further Board session on HRBA to be arranged. (Date TBC)

Carolyn McLeod, Jillian Matthew and Tricia Meldrum left the meeting.

12. 2021/22 Annual report on information governance and security

Gayle Fitzpatrick, Corporate Governance Manager, and David Robertson, Digital Services Manager, joined the meeting.

Gayle Fitzpatrick introduced the 2021/22 Annual report on information governance and security, copies of which had been previously circulated.

Gayle invited the Board to consider the report and invited any questions. David Robertson advised that 60% of the current digital services projects are to deliver improvements in cyber security and cyber resilience. Members enquired about the digital security of staff using personal devices and it was noted this is a mitigated risk due to limitations on the information they can access and the authentication processes in place. The Board noted its concerns around the challenging cyber security environment. It was also noted that response rates to surveys could be improved, and comparison was made to the Best Companies survey. Gayle confirmed that employee training on information security is mandatory.

The members noted the report and advised that they look forward to a further scheduled session on this in September 2022.

David Robertson left the meeting.

13. Annual report on complaints 2021/22

Gayle Fitzpatrick introduced the Annual report on complaints 2021/22, copies of which had been previously circulated. Gayle advised that the number of complaints has increased slightly but they are still relatively low and that the complaints handling arrangements we have in place are working well.

Gayle invited the Board to consider the report.

Following discussion, the Board noted the report.

14. Annual report on Freedom of Information and Environmental Information 2021/22

Gayle Fitzpatrick introduced the Annual report on Freedom of Information and Environmental Information 2021/22, copies of which had been previously circulated.

Gayle invited the Board to consider the report and note the performance in 2021/22.

During discussion, the Board noted that we had not received any Environmental Information requests in the last year and Freedom of Information requests had risen slightly. Gayle provided more detail on the arrangements in place to deal with information requests and explained how many requests are dealt with as 'business as usual' and advised that Environmental Information Requests would be dealt with in the same way as a Freedom of Information requests.

Following discussion, the Board noted the report and the performance in 2021/22.

Gayle Fitzpatrick left the meeting.

15. Q4 Financial performance report

Stuart Dennis introduced the Q4 Financial performance report, copies of which had been previously circulated.

Stuart invited the Board to note the un-audited financial results for the twelve months to 31 March 2022.

During discussion, the Board noted that the external auditors would give their audit opinion next week. A question was asked around the provision being made in the report and Stuart explained the process around expenses/costs and how we invoice for this.

Following discussion, the Board noted the report and the un-audited financial results for the twelve months to 31 March 2022.

16. Information Security Management Policy review

David Robertson, Digital Services Manager and Nicola Paton, Digital Project Manager, Digital Services, joined the meeting.

Nicola Paton introduced the Information Security Management Policy review report, copies of which had been previously circulated.

Nicola invited the Board to consider the policy updates and approve the new version of the policy.

During discussion, the Board noted the policy review had been brought forward to keep in line with our other information security documentation. Nicola advised that the policy had been reviewed and recommended for approval by the Knowledge Information and Technology Governance Group (KITGG) and the Management Team.

The Board noted the new item 4.8 in the report, the importance of item 4.12 and the changes within the diagram which highlight updates made throughout the year. Nicola advised that we raise awareness of the importance of this work internally via Yammer posts, the mandatory training to be carried out by all staff and key performance indicators that Digital Services report on through KITGG quarterly reports. The Board invited Digital Services to explore further ways to ensure all colleagues are sighted on information security and cyber risks.

Following discussion, the Board approved the new version of the Information Security Management Policy.

Nicola Paton and David Robertson left the meeting.

17. Review of staff handbook policies

Susan Burgess, Assistant Human Resources Manager, joined the meeting.

Susan Burgess introduced the Review of staff handbook policies report, copies of which had been previously circulated.

Susan invited the Board to approve the suggested changes to the Counter Fraud and Diversity and Equality policies and advised that, subject to approval, the policies will be uploaded to the staff handbook.

During discussion, the Board noted the staff handbook policies will continue to be reviewed and HR are looking to schedule the review and approval processes on a rolling basis. It was noted that the policies which relate to hybrid working will come to the Board at a later date.

Following discussion, the Board approved the suggested changes to the Counter Fraud and Diversity and Equality policies and noted the policies will be uploaded to the staff handbook.

Susan Burgess left the meeting.

18. Any other business

There was no other business for discussion.

19. Review of meeting

The members welcomed the quality, content and comprehensive nature of the reports in supporting helpful and detailed discussion.

The Chair thanked everyone for their contributions.

20. Date of next meeting: 1 June 2022

The members noted the next meeting of the Audit Scotland Board is scheduled for 1 June 2022.

Items taken in private

21. New Audit Appointments – verbal update

Elaine Boyd, Associate Director, Audit Quality and Appointments, and Kathrine Sibbald, Project Manager, Audit Quality and Appointments, joined the meeting.

Elaine Boyd provided a verbal update on the new audit appointments.

The Board noted that all conflicts of interest had now been resolved and that the Auditor General and the Accounts Commission had approved the appointments. The Board also noted the likely impact on audit fees and the planned mini tender to appoint to a small number of residual appointments. Elaine advised that appointment letters would be issued shortly.

The Board acknowledged the scale and complexity of the new audit appointments process and thanked the team for their efforts.

Following discussion, the Board welcomed the update.

Elaine Boyd and Kathrine Sibbald left the meeting.

REF	FORUM	Agenda Item No	Item Title	Action Description	Meeting Date	Due Date	Responsible	Assigned to	Complete/Ongoing	Reported Yes/No	Progress Notes
ASB147	Board	20	Counter Fraud Policy review	David Blattman to review the policy and provide an update to the Board.	02/06/2021	Jul-21	David Blattman	Susan Burgess	Complete	Yes	Report was considered by the Board at its meeting on 17/5/22
ASB160	Board	12	Our Purpose - Workstream update	A Board meeting to be scheduled for discussion and formal approval.	26/01/2022	Jun-22	Martin Walker	Martin Walker	Ongoing		Member availability to br canvassed for a strategic session to be held in August 2022.
ASB163	Board	19	Stakeholder engagement update	A further discussion on stakeholder engagement to be scheduled.	26/01/2022	Jun-22	Martin Walker	Martin Walker	Ongoing		Member availability tp be canvassed for a strategic session to be held in August 2022.
ASB164	Board	14	Q3 Corporate performance report	A further discussion on Communications resource, innovation and impact to form part of a future Board strategic discussion.	05/04/2022	Aug-22	Martin Walker	Simon Ebbett	Ongoing		Member availability to be canvassed for a strategic session to be held in August 2022.
ASB165	Board	11	Mainstreaming equality and equality outcomes: Interim progress report	Further Board session on HRBA to be arranged.	17/05/2022	TBC	Carolyn McLeod	Carolyn McLeod	Ongoing		Date to be arranged

Strategic Improvement Programme update

Acting Director, Corporate Services

Item 11

Meeting date: 1 June 2022

Purpose

1. This report provides the Audit Scotland Board with an update on the Strategic Improvement Programme (SIP).

Background

2. The Audit Scotland Board approved the Strategic Improvement Programme (SIP) at its meeting on 25 November 2021. The key objectives of the SIP are to:
 - Drive our organisational transformation and improvement.
 - Provide a bridge between the 'recovery phase' and our new longer-term operating model.
 - Assure and inspire our colleagues.
 - Ensure we deliver on our core commitments on audit (quality, focus, methodology and value added).
 - Ensure we deliver on our commitments on how we run the organisation – being people focused by prioritising the health, safety, wellbeing and development of our people, and by being innovative and efficient.
3. The Audit Scotland Board considered an update [report](#) on the SIP at its meeting on 5 April 2022.

Summary

4. We continue to make good progress on what is an extensive improvement programme.
5. Since the previous update we have reached significant milestones in some key projects:
 - The New Audit Appointment project – where the Auditor General for Scotland and the Accounts Commission made the audit appointments in May 2022.
 - Building capacity – where phase 3, the recruitment process for the Executive Management Team positions, has been completed and phase 4 is now under way.
 - Business management system – where the new payroll and HR system went live in February 2022.
6. This progress is being made against a backdrop of change both within and outside the organisation. The Covid-19 pandemic continues to impact on how we work and has shaped some aspects of the improvement programme. We are also in a period of significant change in terms of the strategic leadership of the organisation and we will want to review the focus and content of the programme to reflect this and the strategic focus and priorities of the Auditor General for Scotland and the Accounts Commission.

7. The sections below provide an update on progress in key areas of the SIP since the last update report. A detailed list of the projects in the programme is attached at Appendix 1 for completeness.

Delivering world class audit – What we do

8. The refreshed **dynamic work programme** was published in May 2021. A broad range of reports, briefings and blogs have been published since then and these are detailed in the Quarter 4 performance report which is on the agenda for today's meeting of the Board at item 22. The programme is reviewed and updated on a quarterly basis and the most recent update report was considered by the Auditor General for Scotland (AGS) and the Accounts Commission (AC) in March 2022. This process is now mainstreamed and will not feature in future update reports.
9. The **New Audit Appointments (NAA)** project reached a significant milestone in March 2022 with the approval of the provisional audit appointments by the AGS and AC. This is the culmination of a significant programme of work by the NAA Steering Group and the NAA team. The procurement process has been the subject of an [audit](#) by BDO which provided substantial assurance in terms of both design and operational effectiveness.
10. In May 2022 the Auditor General for Scotland and the Accounts Commission made the audit appointments and appointment letters are being issued. The allocation of audit appointments to appointed auditors in the Audit Services Group is under way.
11. We are continuing to develop our **audit methodology**:
- **Financial audit approach** – The new Audit Planning Tool and the ISA 315 concepts regarding risk assessment have now been rolled out and are being applied in the 2021/22 audits. The development of the new IT audit approach under the revised ISA 315 is in progress and is being piloted, this will be rolled out to the 2022/23 audits. Audit Services Group (ASG) Management Team has agreed that the revised controls approach and the baseline testing pilot should be rescheduled to 2022/23 with a view to rolling out the revised approach to the 2023/24 audits. This approach releases resources to support the ASG recovery plan.
 - **Best value in councils** – The proposed approach to scheduling the programme was approved by the Accounts Commission in January 2022. The Controller of Audit's [Annual Assurance and Risks Report](#) was considered by the Accounts Commission at its meeting on 10 March 2022. At that meeting the Commission discussed the proposals for the coverage of the 2022/23 Best Value (BV) thematic work in councils. This was discussed further at the Commission's strategy seminar in March 2022 this will be reflected in the 2022/23 planning guidance.
 - **Best value in Integration Joint Boards (IJBs)** – The Best Value Working Group (BVWG) considered the second pilot report in December 2021. The BVWG considered the implications of the establishment of National Care Services (NCS) and the Accounts Commission agreed its position on the Best Value auditing of IJBs at its meeting on 12 May 2022.
12. **Audit Quality** – The internal cold reviews commenced in January 2022; this programme is in addition to the external cold reviews undertaken by ICAS. Both programmes were completed by 31 March 2022. The annual survey on quality undertaken by an external firm has also concluded. All of these informed the annual Audit Scotland Transparency Report

and the Quality of Public Audit in Scotland report which were considered by the Audit Committee on 11 May 2022, and which will be published in June 2022.

13. In March 2022 the Audit Committee considered an internal audit [report](#) by BDO which provided substantial assurance on audit quality and delivery in terms of design and operational effectiveness.
14. This work is now mainstreamed and will not feature in future SIP update reports. It will of course continue to be monitored by the Audit Quality Committee and the Audit Committee.
15. **ISQM** – On 22 February 2022 Management Team approved the [scope](#) and approach for the International Standards on Quality Management (ISQM)1 project. The seven workstreams have been making good progress, these include workshops with colleagues from across all the business groups. The workstreams include a gap analysis of our current arrangements with the new standard and the objective is to use this to inform any revisions to policies, procedures and practices. A draft Risk Register has been created, an improvement log is in development and the project will be completed by December 2022.
16. **Digital audit strategy** – The ‘Asc’ digital audit tool is being rolled out to colleagues accompanied by training sessions. Phase 2 of the Northern Ireland Audit Office (NIAO)-led Small Business Research Initiative project concluded in March 2022 and a business case for longer term infrastructure is being developed. Working groups have been established to develop the long-term solutions for the audit planning tool and key systems mapper. In terms of IT digital auditing, the team have begun the audit approach pilots, prior to a full roll out in 2022/23. The digital auditing team are also planning on providing more in-depth sessions around this workstream for the Board, the Accounts Commission and other stakeholders over the course of the summer.
17. **Electronic Working Papers (EWP)** – The SIP programme board considered an update report on this project at its meeting on 18 May 2022. This advised that some additional dedicated resources had been secured and that the definition of system requirements was under way.
18. **Diversity and Equalities** – The Audit Scotland Annual diversity report was [published](#) on 12 November 2021. We have also been working with Business in the Community (BITC) who have been undertaking a holistic review of our approach to equalities and diversity. This review looked at our policies, procedures and culture across the organisation. The results of the review were considered by the Remuneration and Human Resources Committee on 2 March 2022 and an action plan is being developed.
19. The **Human Rights Based Approach** organisational self-assessment exercises have concluded and the results were considered by the SIP programme board on 18 May 2022. The team are also capturing evidence of equalities in audit work supported by discussions held in ASG in February 2022. The refresh of the Audit Management Framework began in May 2022 and the internal [interim mainstreaming report](#) was considered by the Board at its meeting on 17 May 2022.
20. **Auditing climate change** – We published a [baseline summary review](#) in March 2022, which summarises the published recommendations. The published reports contain a range of recommendations for public and private sector bodies, policy makers and citizens. We focused the review on the key themes and improvement actions for the public sector in Scotland as they will inform the targeting of our future programme of climate change related audit work.

- 21.** On 1 March 2022 Management Team considered a [report](#) from the Climate Change team. This summarised the work done to date including awareness raising at ASG Superteam and Performance Audit and Best Value (PABV) cluster meetings and engagement with the other UK audit agencies, the Scottish Government and the Convention of Scottish Local Authorities (COSLA). The report also highlighted forthcoming publications by the Accounts Commission (August 2022) and the Auditor General for Scotland (later in 2022) and a joint report with the other UK audit agencies and some considerations on how climate change will feature in the work programme for 2023. Management Team also invited the group to develop a proposal/business case setting out options for the scope and resources required for auditing climate change.

Being a world class organisation – How we work

- 22. Hybrid working and our workplaces** – On 15 February 2022 Management Team considered a [report](#) on hybrid working and our workplaces. This included a review of our organisational arrangements with reference to all of the most recent guidance and the principles and practical implications of hybrid working. The report also set out the next steps in terms of site visits and on-site working.
- 23.** We moved to Phase 4 of our workplaces plan with effect from 7 March 2022. This provides for greater hybrid working and adopts a one metre social distancing rule which increases our desk and meeting room capacity in the offices. We have set up a ‘developing hybrid working’ (DHW) working group with representatives from across the business groups and PCS. We have also developed an ‘[accessing our workplaces](#)’ hub, updated the office guides, updated guidance for visitors and contractors and we are promoting guidance around the distance aware and safer travel schemes.
- 24.** On 18 May 2022 the SIP programme board approved the project scope for the next stages of development work. This is focused around five main workstreams: our people, our workplaces, our technology, our policies and communications and engagement. This work will be taken forward by the DHW group.
- 25. People Strategy** – We provided an update on the elements of the People Strategy for the Remuneration and Human Resources Committee (Remco) at its meeting on 2 March 2022. Remco approved the workforce plan at its meeting on 11 May 2022 and will consider the updated People Strategy at its meeting on 9 November 2022.
- 26. Learning and development** – We have a broad range of learning and development opportunities and resources in place and the quarter four performance report provides details of the courses run recently. We are also currently running a leadership insights programme with managers which provides access to short summaries on a range of topics and links to additional resources.
- 27. Building capacity** – The second phase of the building capacity project focused on building capacity in some specialist and support services and on investing in improvement. Under phase two we have made 15 external appointments to date and five recruitment campaigns are currently live. As at the end of Q4 the HR team and business groups have filled 25 internal vacancies and 45 external vacancies since the beginning of 2021/22.
- 28.** The third phase focused on building strategic capacity. The Board agreed the new senior management structure at its meeting on 26 January 2022 and the recruitment process for the roles of Chief Operating Officer and the Executive Director positions for Audit Services, Performance Audit and Best Value and Innovation and Quality has now concluded. Phase four of the project (the appointment of Directors and senior managers) is now under way.

- 29. One Organisation deployment** – We held a number of workshops facilitated by external consultants over the period February to March 2022. The project team provided a report to the SIP programme board on 29 March 2022 which set out a series of proposals on the principles for effective one organisation working, the conditions for its success and drafts of an action plan and an engagement plan. The programme board agreed the direction of travel and the project team are now refining the implementation plan.
- 30. Medium term financial plan** – The Board held a strategic planning workshop session on 9 November 2021 and a further strategic planning session is taking place in the summer. This will inform the 2022/23 budget process, longer-term budgeting and fees and funding considerations and the planned business planning day with the Scottish Commission for Public Audit which is scheduled for August 2022.
- 31. Estate strategy** – This project is being undertaken to ensure we have an estate that meets longer-term organisation and operational requirements while demonstrating value for money. The programme board approved the [scope and project approach](#) at its meeting on 18 January 2022. We have secured professional external consultancy services to support this project and we expect options to be available in May/ June 2022.
- 32. Business Management System** – The new HR and payroll system went live in February 2022. The project team are still working on ironing out some minor outstanding issues before moving onto other modules available in the system. We anticipate the Learning Management and Recruitment modules to be live by the end of 2022.
- 33. Digital Strategy** – The Digital Services team has been focused on mitigating the cyber security threats and the Audit Committee considered a [detailed digital security update](#) at its meeting on 2 March 2022. We published the [first year review of the strategy](#) on SharePoint on 10 March 2022. We have completed the deployment of Audit Scotland secure laptops to all colleagues, provided equipment to support working from home and equipped our offices to support hybrid working. We have also continued to improve our server and networking infrastructure as well as delivering software upgrades to key systems.
- 34. Green Futures Team (GFT)** – At their meeting in May, the GFT agreed working groups and setting project milestones. Four key projects for 2022/23 have been identified: the development of an Offsetting Strategy (a report on this will be considered by Management Team in June 2022), exploring the use of carbon budgets for business groups, establishing a methodology for collecting home working emissions data and introducing climate change training for existing colleagues and including this as part of the induction process for new colleagues.

Our purpose

- 35.** The 'Our Purpose' workstream of the Strategic Improvement Programme contains four elements:
- updating the business group plans
 - refreshing Public Audit in Scotland (PAIS)
 - reviewing and updating the Partnership Working Framework (PWF)
 - revising the corporate plan.

36. The **Business Plans** were finalised and considered by the Management Team on 11 January 2022.
37. The project team has been engaging with the Leadership Group on a range of areas including the external and internal operating environments (using PESTLE and SWOT analyses respectively) and with the Auditor General for Scotland and the Accounts Commission. This engagement will inform the suite of strategic documents and plans covered by this workstream.
38. At its meeting on 29 March 2022 the SIP programme board agreed to produce an interim corporate plan for 2022/23. This will ensure clear direction internally and externally about our plans and priorities for the coming year and meet our governance requirement to have an up-to-date corporate plan in place. Since the SIP programme board meeting in March 2022 the Accounts Commission has had its first strategy seminar since its new chair came into post. From this it is developing a new change programme as well as reviewing its strategy and priorities. This will inform the content and timescales for a new PWF and PAIS, which ultimately drive Audit Scotland's corporate plan.
39. Audit Scotland is currently recruiting new leaders and reshaping its executive team. We also plan to undertake an organisation-wide project this year to refresh and agree our organisational values. We will revisit planning for the new corporate plan and organisational values later this year once the new executive team is in place and we have made progress with the PWF and PAIS. Our aim is to have the new multi-year corporate plan in place by April 2023.
40. On 18 May 2022 the SIP programme board considered an **interim Corporate Plan for 2022/23**. This is on the agenda for today's meeting of the Board at item 24.
41. We are currently doing some scoping work to support the implementation of the **Accounts Commission's Change Programme**. This covers a range of areas including the PAIS and PWF referenced above, resourcing, stakeholder engagement, Commission support, audit quality, communications and the dynamic work programme.




Programme governance and reporting

42. The SIP programme board is responsible for the oversight and delivery of the Strategic Improvement Programme and is comprised of members of Management Team.
43. The programme board met most recently on 18 May 2022. At that meeting it considered update reports on the programme overall, the Human Rights Based Approach self-assessment analysis and the Electronic Working Papers project. The programme board also approved the scope for the Developing Hybrid Working project and the draft Interim Corporate Plan 2022/23.
44. SIP related business also takes place at Management Team to ensure that timely progress is being made and project reports and updates feature regularly on the Management Team agenda.
45. On 11 May 2022 the Audit Committee considered an [internal audit report](#) by BDO on the governance of the SIP programme. The report provided substantial assurance in terms of both design and operational effectiveness and made two low level recommendations which are being implemented.

Recommendations

46. The Board is invited to note the progress update on the Strategic Improvement Programme and next steps.

SIP Project summary

 What we do	 How we work	 Our purpose
<ul style="list-style-type: none"> • Dynamic work programme (mainstreamed) • Code of Audit Practice (complete) • New audit appointments (complete) • Audit approach (including financial audit approach, BV in LG, BV in IJBs, less complex bodies, following the pandemic pound and auditing climate change) • Digital Audit • Audit quality action plan (mainstreamed) • Electronic working papers • Diversity & equality • Parliamentary engagement 	<ul style="list-style-type: none"> • People strategy (inc workforce plan and learning and development offer) • Building capacity • One organisational deployment • Medium term financial strategy (including fees and funding) • Developing Hybrid Working (new) • Our workplaces (Covid-secure and longer-term office strategy) • Digital services strategy (mainstreamed) • Business Management System (phase 1 complete) • Green future • Shaping our future (Audit Scotland 2021) engagement (complete) 	<ul style="list-style-type: none"> • Public audit in Scotland • Partnership Framework • Corporate Plan • Business Plans (complete) • Supporting the Accounts Commission's Change Programme (new) • ISQM

2021-22 Annual report from the Chair of the Audit Committee to the Board

Chair of the Audit Committee

Item 12

Meeting date: 1 June 2022

Purpose

1. This report presents the annual report from the Audit Committee Chair to the Audit Scotland Board.

Background

2. The Audit Committee is a standing Committee of the Board established under Audit Scotland's Standing Orders. The Audit Committee consists of the members of the Board, other than the Chair of the Board and the Accountable Officer. In practice the Chair of the Board and the Accountable Officer attend the meetings.
3. During 2021-22 Audit Scotland continued to respond to the challenges presented by the Covid-19 pandemic. For the majority of this period, all colleagues worked from home using MS Teams to conduct business and meetings both internally and externally as well as the continued use of vital systems including Pentana and SharePoint Online. More recently, with Covid-19 restrictions reducing significantly from March onwards colleagues have been able to adopt a hybrid working approach.
4. This working context has presented and continues to present challenges for the organisation, our stakeholders and audited bodies. During this time, Audit Scotland has demonstrated high levels of professionalism and resilience to adapt and deliver the work programme.
5. In December 2021, William Moyes was appointed Chair of the Accounts Commission taking over from Interim Chair of the Accounts Commission, Elma Murray. The Chair of the Accounts Commission is a member of the Board as well as the Audit Committee.

Programme of work

6. The Audit Committee met five times in 2021/22 mainly via video conferencing due to the Covid-19 pandemic. In the March and May 2022 meetings of the Audit Committee, members attended in person at the Edinburgh office following the introduction of hybrid working arrangements. In accordance with its Terms of Reference and the Audit Committee Planner the committee considered a broad range of work across 95 agenda items, including 72 papers. This included reports and updates on/from:
 - Information security and governance.
 - Financial management.
 - Governance, including the annual assurance and statement of control process.
 - Internal and external audit.

- Audit quality.
- Organisational risk.
- Business continuity.
- The annual report and accounts.

7. The Audit Committee reviewed the rolling action tracker at each of its meetings.
8. The Audit Committee carries out an annual review of its effectiveness based on a self-assessment checklist completed by members. A report on the outcome of the review and the actions arising was presented to the meeting of the Audit Committee on 11 May 2022.

The annual report and accounts and financial management

9. The Audit Committee approved the timetable to facilitate the completion of the Statutory Accounts for the Year ended 31 March 2021 at its meeting on 2 March 2022.
10. The audit of the 2021/22 accounts has concluded and will be reported to the Audit Committee on 1 June 2022.
11. The Audit Committee considered financial performance reports each quarter.

Governance

12. The annual review of Audit Scotland's principal governance policies (Standing Orders, Financial Regulations and Scheme of Delegation) was undertaken in September 2021. The review resulted in minor changes.
13. In addition, the Audit Committee considered its Terms of Reference at the November meeting in line with the agreed annual review. No amendments were made. The next review will be reported to the Audit Committee on 9 November 2022.
14. The Code of Conduct for members and employees was reviewed by the Board in September 2021 to ensure it remained up to date and in line with the model code published by the Scottish Government. The Code is published on the Audit Scotland website along with the annual declaration of members' interests.
15. The Audit Committee reviewed and approved the Business Continuity Plan and its supporting arrangements in May 2022. The Business Continuity Plan, which is subject to annual review, received minor amendments. The plan had been subject to a substantial restructure the previous year in light of the impact of EU withdrawal and the Covid-19 pandemic.
16. The Audit Committee considered a suite of annual assurance reports in accordance with the annual assurance and statement of control process. The reports were on:
 - Information Governance and Security.
 - Data Incidents.
 - Hospitality and Gifts.

- Bribery and Fraud.
- Whistleblowing.
- Correspondence Handling and Whistleblowing.
- Audit Quality.
- Health, Safety and Wellbeing.
- Governance statement on internal control and Certificate of Assurance.

Internal and external audit

- 17.** The external auditors and internal auditors have attended all of the Audit Committee meetings during 2021/22.
- 18.** At each meeting there is a private session with both external and internal auditors. This provides the opportunity for the auditors to raise issues with members of the committee and for the committee to ask questions and seek the view of auditors. No material issues were raised during 2021/22.
- 19.** At its meeting in March 2022 the Audit Committee considered a report from the internal and external auditors on their joint working arrangements.
- 20.** The Audit Committee approves the programme of internal audit work each year. BDO carried out seven internal audits and one follow-up review during 2021/22. All reports were presented to the Audit Committee. An overall assurance assessment is given in each internal audit report for the design and operational effectiveness of systems and internal controls.
- 21.** The table below details the audits and overall assurance assessments:

Audit	Design	Operational Effectiveness
Covid-19: Health, Safety & Wellbeing	Substantial	Substantial
Operation of Financial Controls during Covid 19	Substantial	Substantial
Freedom of Information	Reasonable	Reasonable
Covid-19: Audit Quality & Assessment	Substantial	Substantial
Procurement of Audit Firms	Substantial	Substantial
Strategic Improvement Programme Governance	Substantial	Substantial
Financial Planning	Substantial	Substantial
Follow-up Review	Good progress	

22. There were ten recommendations from the seven internal audits. Seven recommendations were classified as low significance and three of medium significance. Management responses have been provided for all audit recommendations and work is being undertaken to implement them as appropriate.
23. Reports on progress with internal audit recommendations are brought to each Audit Committee.
24. The internal audit service and scrutiny provided by BDO offered substantial assurances in the round for the 2021/22 annual internal audit report.
25. The Audit Committee was satisfied with the performance of internal audit and that the internal audit programme had been delivered to the required standard for the year.
26. The cost of the internal audit work for 2021/22 was £25,800.00. This was an underspend of £4,200 against the budget of £30k. This is due to invoices for work undertaken by BDO still to be received for 2021/22. This work includes the follow-up review and annual report which were completed during May 2022. The number of days planned for audit by BDO was 56 days and this was achieved.
27. The contract with BDO concluded in 2022. Prior to the contract ending Audit Scotland undertook a tender for the provision of new internal audit services commencing in October 2021. This process was concluded in April 2022.
28. Audit Scotland has appointed Wylie & Bisset as our new internal auditors for the next three years (with an option to extend by one year). An Audit Needs Assessment has been conducted and an Internal Audit Plan for 2022/23 is being prepared for Audit Committee's consideration. The plan will cover many of the areas identified in the corporate risk register to provide assurance all available controls and mitigations are in place.

Audit quality

29. The Audit Quality Framework approved by the Board in October 2017 committed to providing regular reporting to the Audit Committee on audit quality as well as to the Auditor General for Scotland and the Accounts Commission.
30. The framework uses a broad range of tools to assess audit quality including external and internal 'cold' reviews, 'hot' reviews, peer reviews and surveys of audited bodies and auditors. This range of evidence continues to identify good practice and areas for improvement in audit quality.
31. The Quality of Public Audit in Scotland annual report 2021/22 was presented to the May 2022 meeting of the Audit Committee. The Audit Quality and Appointments team concluded that the quality of audit work is good and continues to improve in Performance Audit and Best Value audit and accountancy firms. They also concluded that the quality of financial audit work carried out by Audit Scotland's Audit Services Group (ASG) is on the whole good and improving while some areas require further improvement. These areas are being addressed in the ongoing audit improvement plan.
32. The improvement in quality scores provides a clear indication that high-quality standards are being achieved and that quality improvement plans are taking effect. Further work continues in some areas to ensure that all of the audit work meets the recognised standards

expected by all our stakeholders and in particular by the Auditor General for Scotland and the Accounts Commission.

- 33.** The Chair of the Audit Committee attended three meetings of the Audit Quality Committee as an observer in 2021/22.

Risk management

- 34.** Audit Scotland's Risk Management Framework was reviewed and approved by the Audit Committee on 3 March 2021. In accordance with the framework the committee reviewed the Risk Register at each of its five meetings.
- 35.** The Audit Committee considered quarterly reports on data incidents and noted the corrective actions proposed by Audit Scotland to reduce further incidents. It also received detailed six-monthly updates on digital and cyber security risks.
- 36.** Prior to the pandemic the Audit Committee agreed an annual schedule of risk interrogations. This allowed the opportunity to consider one or more of the risks on the register in greater detail. In March 2021, the Audit Committee agreed to suspend risk interrogations given the challenges and work pressures of operating amidst a worldwide pandemic. The re-introduction of risk interrogations will be reconsidered during 2022/23.
- 37.** A risk management workshop was held on 30 August 2021 for all Board members. The main objective of the workshop was to provide members of the Audit Committee with the opportunity to take a 'step back' from the regular review of the risk register and discuss the strategic risks facing Audit Scotland.
- 38.** Audit Scotland's new internal auditors Wylie & Bisset will facilitate a session on Risk Management for the Audit Committee, Board and the Executive Management Team during August 2022.

Governance statement

- 39.** The Audit Committee considered a report on the effectiveness of the systems of internal control. There were no matters arising from Audit Scotland's business groups which would require to be raised specifically in the Accountable Officer's governance statement.
- 40.** Internal auditors provided Audit Scotland with reasonable assurance that there are no major weaknesses in the internal control system for the areas reviewed in 2021/22.
- 41.** It is the Audit Committee's opinion, based on our scrutiny and oversight of the work of Audit Scotland, that the Accountable Officer and Board can take assurance that there are sound systems of internal control in place within Audit Scotland to support the achievement of the organisation's policies, aims and objectives as set out by the Audit Scotland Board.
- 42.** On the basis of the work reviewed and progress made during 2021/22, the Audit Committee can advise the Board that, in its opinion, the internal control systems in Audit Scotland are effective.

Acknowledgements

- 43.** The Chair of the Audit Committee thanks the members of the Audit Committee for their invaluable input during 2021/22, a year which continued to present challenges due to the Covid-19 pandemic.

Recommendation

- 44.** The Board is invited to consider the report.

2021/22 Annual report: Remuneration and Human Resources Committee

Chair of Remuneration and Human
Resources Committee

Purpose

1. The purpose of this report is to review the past 12 months of performance of the Remuneration and Human Resources Committee (Remco) and to identify future priority areas for discussion during 2022/23.

Background

2. Remco reviewed and approved this report at its meeting on 11 May 2022.
3. The process follows good practice for the operation of these committees. The chair provides this as a separate report to the Audit Scotland Board and Accountable Officer following discussion by Remco members.
4. All Audit Scotland colleagues have been working from home since 17 March 2020 due to the Covid-19 pandemic using MS Teams primarily to conduct business and meetings both internally and externally. This working context has presented and continues to present unprecedented challenges for the organisation, our stakeholders and audited bodies. During this time, Remco continued to meet and have used a combination of MS Teams calls and hybrid in person meetings, where restrictions have allowed.
5. During the course of 2021/22 there were also changes to those who attend Remco and provide support from Audit Scotland. Remco members have welcomed Martin Walker, Acting Corporate Services Director and Susan Burgess, Acting Human Resources Manager to meetings following the departure of Diane McGiffen, Chief Operating Officer in early 2022 and David Blattman, Human Resources and Organisational Development Manager in 2021.

Progress update

6. During 2021/22 Audit Scotland's Remco met on three occasions. In accordance with its Terms of Reference the committee considered a broad range of work. This has included reports and updates on:
 - approval of the 2021 pay award and negotiations with the Public & Commercial Services (PCS), including the latest public sector pay policy in Scotland and the implications of this upon our own pay settlement, budget and fee strategy
 - annual review and assurance in connection with the expenses of the Auditor General for Scotland
 - our planned work around diversity, equality and inclusion including reports from our external partners, Business in the Community. Reviewing Audit Scotland's reports produced throughout the year which includes both our gender pay gap report and annual diversity report

- consideration of our plans for talent management, succession planning and wider workforce plans for 2021/22
 - job evaluation and benchmarking exercise for the remuneration of roles at Executive Management Team prior to recruitment campaigns launching
 - supporting the recruitment of the new Chief Operating Officer, Executive Director of Audit Services Group, Executive Director of Performance Audit and Best Value and Executive Director of Quality and Innovation
 - annual review of Remco past performance and the setting of future priorities
 - regular updates about our business and workforce as we have managed the continued impact of Covid-19 and evolution of a new hybrid operating model of working.
7. All this work has been effectively achieved in accordance with good employment practice and is consistent with public sector policy guidance affecting organisations such as Audit Scotland.

Future priority areas

8. Remco agreed the following list for consideration across the upcoming agenda of business for 2022/23:
- the changing environment for public sector pay in Scotland, Scottish Government pay policy and our new operating model of hybrid working – how this may all influence our future budgets, fee strategy, employment policies and approach to employee relations with the PCS union
 - diversity, equality and inclusion, with the creation of our ongoing action plan. This has been and will continue to be subject to ongoing consideration by Remco
 - the effectiveness of Audit Scotland's attraction, recruitment and retention strategy in support of workforce growth in response to the demands arising from digital auditing and the competitive recruitment market
 - the mental, emotional health, wellbeing and resourcing arrangements across Audit Scotland's workforce in light of our newly evolving hybrid ways of working and productivity.

Acknowledgements

9. The chair of the committee would like to thank the members of Remco for their input during 2021/22, another year which has presented unprecedented challenges as we emerge from the Covid-19 pandemic and following significant changes to the leadership group at Audit Scotland.

Recommendations

10. The Board is invited to consider and approve this report.

Draft international work annual report for 2021-22

Audit Director, Performance Audit and Best
Value

Purpose

1. This report provides Audit Scotland's Board with the draft international work annual report for 2021-22.

Background

2. Each year Audit Scotland reports publicly on international work as part of its corporate performance reporting. As in 2020/21, the way we conducted our international work changed due to the challenges caused by the Covid-19 pandemic. Despite these challenges, we felt it was important that Audit Scotland remained an open and outward-looking organisation promoting good governance and the effective use of public resources internationally. Highlights included:
 - We updated our international strategy for 2021-24. We took the opportunity to reflect the changing circumstances created by the Covid-19 global pandemic and to align the strategy with Audit Scotland's current strategic priorities.
 - In November 2021, Audit Scotland hosted the Public Audit Forum annual conference. All participants agreed that the conference was a productive way to share knowledge on a range of issues including audit quality, digital auditing, risks from climate change and an analysis of future proposals on public auditing.
 - At EURORAI's most recent conference (November 2021), held in Sarajevo, Richard Robinson, Senior Manager, from our Performance Audit and Best Value group, gave a (virtual) presentation on how Audit Scotland conducted its performance audit work during the pandemic, including how we audited the different impacts caused by Covid-19 and the audit outputs Audit Scotland produced in response to the pandemic.
 - In December 2021, the Association of Chartered Certified Accountants (ACCA) held its Public Sector Conference. Steven Boyle, Auditor General for Scotland, attended the conference where he was interviewed, along with his counterparts from Jamaica and the Maldives. The interviews were well received with several thousand people signed up to view the conference online.
3. Please note that we are currently working with the Communications Team on possible exhibits and getting the report finalised (this should be completed the week commencing 23 May 2022).

Recommendations

4. The Board is invited to consider and approve the draft international work annual report for 2021-22.

International work

Annual report 2021/22



 AUDIT SCOTLAND

Prepared by Audit Scotland

June 2022

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Introduction

As in 2020/21, Audit Scotland continued to respond to the challenges and constraints caused by the Covid-19 pandemic. Most staff continued to work from home with much of the audit work conducted remotely. Most meetings, including with officers from our audited bodies and audit committees, were conducted virtually. These changes were reflected in our international work. The Covid-19 pandemic meant there were less opportunities to receive visitors from other countries, and fewer international events were convened in person. In response, our international work also moved away from physical meetings to make more use of teleconferencing and virtual meetings with colleagues from across the globe.

Despite the challenges of the pandemic, we felt it was important that Audit Scotland remained an open and outward-looking organisation promoting good governance and the effective use of public resources internationally. We did this by working with organisations such as EURORAI, with the aim of sharing good practice in all areas of our audit work.

In 2021 we updated our international strategy. The new international strategy focuses our approach to international work on helping to improve the way we conduct work in line with our world-class audit ambitions. Where we have the capacity to do so, we will also continue to share our knowledge and expertise with others to support effective public audit and good governance around the globe.

Signature to be added

Mark MacPherson

Audit Director (Performance Audit and Best Value)

International work 2021/22

International strategy 2021-24

1. Our previous international strategy covered the period between 2017-20. During 2021 we updated our international strategy for 2021-24. We took the opportunity to reflect the changing circumstances created by the Covid-19 global pandemic and to align the strategy with Audit Scotland's current strategic priorities. Our new international strategy sets out the following ambitions:

- We use knowledge of overseas good practice to scope our audits and shape our recommendations to increase their impact.
- We use international audit standards and good practice networks to improve the quality of our audit work.
- We promote our work within the UK and internationally to build good practice networks and improve as an audit organisation.
- We aim to get as many staff as possible involved in international work to provide learning opportunities, build on their skills, and broaden the outlook they bring to our work.
- We welcome opportunities to share our knowledge and contribute to good public governance in other countries as a way of 'giving something back.'
- We are committed to the principles of equal opportunity, fairness, and transparency in everything we do, and we will strive to ensure that these values are embedded within our international work.
- We will place greater emphasis on virtual meetings and teleconferencing as an alternative to physical travel to help reduce our carbon footprint.

2. The revised strategy also helps us to prepare for the post-pandemic world and hybrid working.

Working with the other UK audit bodies

3. Audit Scotland works closely with other UK audit bodies on areas of joint interest through the Public Audit Forum (PAF). The PAF is comprised of: Audit Scotland, the National Audit Office, Audit Wales, and the Northern Ireland Audit Office. The PAF bodies meet for an annual conference which facilitates discussion of issues of joint interest. In 2021, the conference was hosted by Audit Scotland and took place virtually. All participants agreed that the conference was a productive way to share knowledge on a range of issues

including audit quality, digital auditing, risks from climate change and an analysis of future proposals on public auditing.

4. PAF members also meet and participate in smaller, more specialised groups to discuss specific areas of joint interest which are detailed in the paragraphs below.

5. During the early part of 2021, Audit Scotland continued to work with the UK's other three audit agencies as part of the PAF's Covid-19 group. The group's purpose was to facilitate better joint working on the impact of Covid-19 on our financial and performance audit work.

6. Audit Scotland's Professional Support¹ team worked with the other PAF agencies on a range of areas. This included the implementation of a new international auditing standard on identifying and assessing audit risks (ISA 315), preparing for compliance with new international standards on audit quality (ISQM 1) and improving our internal quality process by incorporating root cause analysis.

7. Audit Scotland's Performance Audit and Best Value (PABV) business group has in place a peer review process with the other UK and Irish audit agencies. External peer review is a vital component of a robust quality assurance process in performance audit work. By taking on feedback gathered from peer reviews, this improves how we each of the UK and Irish audit agencies undertake future performance audits.

8. Audit Scotland's Corporate Services Group has established good reciprocal working relationships with the other UK audit agencies. This allows Audit Scotland's Human Resources, Digital Services and Business Support teams to share knowledge and expertise with colleagues across the UK. This arrangement is particularly useful given the specialist nature of Audit Scotland's work. Some examples of this include:

- Human Resources colleagues from across all the PAF agencies shared their experiences of the employment market and ways to recruit high calibre people.
- Business Support worked with the other UK audit agencies on Covid safe workplace arrangements and hybrid working. Colleagues from across the UK met on a regular basis to share their experiences and knowledge on safety measures and discuss new ways of working.
- Audit Scotland's employee network groups, including the Disability Confident Working Group and our newly established group for colleagues from minority backgrounds, shared knowledge, good practice, and support with colleagues from the other PAF members.

¹ Professional Support are responsible for a range of functions including offering technical guidance to audit teams and helping to improve the quality of financial and performance audit work.

- Digital Services worked with Audit Wales to advise them on development of their new data warehouse. The project also allowed Audit Scotland colleagues to learn more about Audit Wales approach to data analytics.

9. Audit Scotland is working with UK and Irish colleagues on improving our audit approach and sharing good practice in important and developing areas. During the last year this has included:

- Our Digital Auditing team met regularly with the other UK and Irish audit colleagues to work on specific areas of joint interest. This included two meetings to discuss data analytics and new auditing methods to support improved performance and financial audit work. The Digital Auditing team is also working closely with the Northern Island Audit Office on a project to enhance our approach to financial audit analytics.
- Our climate change team meets quarterly with other PAF members to discuss the latest audit work being conducted on climate change. This also allows the agencies to consider whether there is any scope for joint working. The PAF members have held meetings on data, auditing public bodies and reporting requirements. They have also had early discussions about the potential to produce a joint output on climate change with the other UK auditing bodies.

Working with our European partners

10. Audit Scotland has been an active member of EURORAI (the European Organisation of Regional Audit Institutions) for almost 30 years². EURORAI is the main European body that represents the joint interests of regional audit organisations and is comprised of public audit bodies throughout Europe. EURORAI organises annual conferences where members gather to present, listen to and network with colleagues from other audit institutions. Audit Scotland is a respected member of EURORAI and is often asked to present at EURORAI's conferences.

11. At EURORAI's most recent conference (November 2021), held in Sarajevo, the conference theme was 'Value and benefits of regional external public sector audit institutions, especially against the background of the Covid-19 pandemic'. Richard Robinson, Senior Manager, from our Performance Audit and Best Value group, gave a (virtual) presentation on how Audit Scotland conducted its performance audit work during the pandemic, including how we audited the different impacts caused by Covid-19 and the audit outputs Audit Scotland produced in response to the pandemic.

12. In March 2022 Audit Scotland liaised with our colleagues from EURORAI to draft our organisational statement regarding the situation in Ukraine. Audit Scotland based our statement on the position adopted by EURORAI's Management Committee, whose statement firmly condemns the current Russian invasion of Ukraine and suspends cooperation with the member

² Audit Scotland has been a member of EURORAI since it was formed in 2000. The Accounts Commission joined EURORAI in 1993.

institutions of EURORAI in the Russian Federation. Our full statement may be found [here](#).

Learning from other international organisations

13. In July 2021, the World Bank published the [Supreme Audit Institutions \(SAI³\) Independence Index](#). The report assesses 118 national audit organisations on their independence using 10 indicators of audit independence. The indicators are based on international standards and include factors such as whether the audit institution has full operational independence to determine the scope of their work and to publish their reports openly.

14. Although Audit Scotland is not a SAI (Supreme Audit Institutions), the same indicators can be used to assess our independence. Audit Scotland's international team made its own assessment and scored Audit Scotland with the maximum score in all 10 indicators.

15. In March 2022, Anne Cairns, Audit Scotland's Counter Fraud Manager, attended the Organisation for Economic Co-operation and Development's Global Anti-Corruption & Integrity Forum. The Forum brought together policy experts to discuss how creating different frameworks could resolve longstanding challenges on counter fraud and improving integrity, as well as issues related to the pandemic.

Supporting public audit around the world

16. In December 2021, the Association of Chartered Certified Accountants (ACCA) held its Public Sector Conference. ACCA is one of the largest global professional accounting bodies with members who are in senior positions in both finance and audit. ACCA has a specific interest in promoting good governance, integrity, and ethical standards.

17. The conference was held virtually with ACCA members from around the world. The conference's theme was on what good leadership in public finance looks like and how finance and audit can play a leading role in aiding the long recovery from Covid-19. Stephen Boyle, the Auditor General for Scotland, attended the conference. He was interviewed, along with his counterparts from Jamaica and the Maldives, by Mike Suffield from ACCA. The interviews were well received with several thousand people signed up to view the conference online.

18. In March 2022, Audit Scotland's Digital Auditing team received a request for information from the Assistant Auditor General of the Taiwan National Audit Office. The Taiwan National Audit Office was interested in learning about Audit Scotland's experience of increasing the use of digital tools to conduct our audit work. The Digital Auditing team was able to share our experience which included some of our procedural documentation.

³ A supreme audit institution is an independent national-level institution which conducts audits of government activities

Improving the quality of our work

19. All international work conducted in 2021/22 has been directly or indirectly related to improving the quality of Audit Scotland's work. This section considers other specific areas where international work is helping to improve audit quality.

20. Audit Scotland subscribes to the Canadian Audit and Accountability Foundation's database, which we use to access internationally produced work that can help inform our own work. We also have access to the International Organisations of Supreme Audit Institutions' Working Group on Environmental Auditing (INTOSAI WGEA) database. Audit Scotland's climate change team regularly consults both databases to maintain awareness of climate change audits carried out by other international auditing organisations, which helps to shape the team's climate change work plan.

21. Audit Scotland has recently gained access to the Benchmarking Information Exchange Project (BIEP). This database is administered by the Czech Republic's National Audit Office on behalf of European Organisation of Supreme Audit Institutions (EUROSAI). EUROSAI members share information on a range of projects. We are currently exploring how BIEP could be used to assist financial and performance auditors to scope audit work and identify good practice.

Looking forward

22. We look forward to continuing to work with our UK, European and other international colleagues. Audit Scotland's Digital Auditing team have been asked to present at this year's annual EURORAI conference in Frankfurt on 20 May 2022. The conference will take the form of a hybrid event, with some members attending in person and some attending virtually. We hope to take advantage of this format to allow colleagues who would not normally be able to attend in person to watch the conference virtually. Audit Scotland was one of only two EURORAI member organisations asked to present at the conference, with most speakers coming from external, non-member organisations.

23. As our staff have begun to return to our offices, we can now also look forward to welcoming delegations from other countries to our offices in Scotland. We plan to have a flexible approach with a mixture of face of face and virtual visits. Whatever the future brings, we remain keen to continue connecting, sharing, and learning from our colleagues from around the globe.

International work

Annual report 2021/22

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Policy on the provision of Non-Audit Services by Audit Scotland's external auditor

Director, Audit Quality and Appointments

Item 15

Meeting date: 1 June 2022

Purpose

1. This report invites the Board to approve the Policy on the provision of Non-Audit Services by Audit Scotland's external auditor.

Background

2. The Audit Committee is responsible for developing and monitoring a policy on engaging the external auditor to provide non-audit services, taking into account relevant guidance on the provision of non-audit services by the external audit firm. The Audit Committee considered the policy at its meeting on 11 May 2022 and agreed to recommend it to the Board for approval.
3. The Scottish Commission for Public Audit (SCPA) appoints Audit Scotland's external auditors and may impose contractual restrictions/prohibitions on the external auditor providing non-audit services. In the absence of contractual restrictions, the Audit Committee and Audit Scotland Board are responsible for determining in what circumstances Audit Scotland may engage the external auditor to provide non-audit services.
4. The current policy on the provision of Non-Audit Services was approved in June 2021 and is reviewed annually.

Review

5. The Financial Reporting Council's (FRC) Ethical Standard has not been revised since this policy was approved in June 2021. The policy remains appropriate and in line with the FRC's Ethical Standard.

Conclusion

6. The policy remains appropriate and in line with the FRC's Ethical Standard.

Recommendations

7. The Board is invited to approve the unchanged policy.

Policy on the provision of Non-Audit Services by Audit Scotland's external auditor

Owned and maintained by:	Director of Audit Quality and Appointments
Date checked/ created:	June 2022
Next review date:	June 2023

Introduction

1. The Audit Committee is responsible for developing and monitoring a policy on engaging the external auditor to provide non-audit services, taking into account relevant guidance on the provision of non-audit services by the external audit firm.
2. The SCPA appoints Audit Scotland's external auditors and may impose contractual restrictions/prohibitions on the external auditor providing non-audit services. In the absence of contractual restrictions, the Audit Committee and Audit Scotland Board are responsible for determining in what circumstances Audit Scotland may engage the external auditor to provide non-audit services.
3. The Financial Reporting Council's Ethical Standard 2019 categorises non-audit services as "audit related services" (which includes work normally expected to be undertaken by an external auditor such as grant claim certification) and "other non-audit services" (which includes management consultancy and tax work).

Scope

4. This policy applies to Audit Scotland.

Policy

5. It is important that Audit Scotland's external auditors are independent and seen to be independent in the work that they undertake. It is therefore not appropriate for them to provide any non-audit work that might be perceived to create a conflict of interest with their role as external auditors.

Implementation

6. Audit Scotland may engage the external auditors to provide work classified as "audit related services" by the Ethical Standard.

- 7.** Audit Scotland shall notify the Chair of the Audit Committee before any such work is undertaken and notify the Audit Committee at their next available meeting.
- 8.** Audit Scotland shall not engage the external auditors to provide work classified as “other non-audit services.

Governance statement and certificate of assurance 2021-22

Corporate Governance Manager

Item 16
Meeting date: 1 June 2022

Purpose

1. This report informs the Board of the annual review of our internal controls to support the achievement of the organisation's policies, aims and objectives. It forms part of the suite of assurance reports in support of the Accountable Officer's governance statement in the annual report and accounts.
2. The report also provides the Certificates of Assurance on our internal controls from each of Audit Scotland's business groups.

Background

3. Management Team agreed to adopt the internal control checklist and certificate of assurance process in 2011 to support the Accountable Officer's governance statement.
4. Management Team is invited to consider the certificates of assurance to determine whether they raise any issues which should be drawn to the attention of the Audit Committee or the Audit Scotland Board at their meetings on 1 June 2022 with the Annual Accounts and governance statements.

Considerations

5. Business groups reviewed their internal controls between 7-25 March 2022 with the aid of the internal control checklist. Based on the review and checklist findings the business group Directors completed and approved their business group's Certificate of Assurance.
6. Business group Directors reported that generally the controls in their areas have been and are working well. The responses, including evidence and detailed action points where relevant are available on SharePoint.
 - [Audit Services](#)
 - [Corporate Services](#)
 - [Performance and Best Value](#).

Good practice

7. The annual assurance process has demonstrated good practice across the organisation's internal controls including:
 - development of new key performance indicators (KPIs) that provide added value by confirming the relationship between inputs, outputs and outcomes
 - robust governance and performance reporting

- strong communication and collaboration within and across business groups
- a focused internal audit programme on existing and new areas of work.

Recommendations

8. The Board is invited to note the Audit Scotland certificate of assurance as part of the annual assurance process.

CERTIFICATE OF ASSURANCE



To Audit Scotland's Accountable Officer

ANNUAL ACCOUNTS 2021/22 ASSURANCE FOR THE GOVERNANCE STATEMENT

1. I am aware that, as Interim Director for Performance Audit and Best Value, you are required to sign a governance statement for the annual accounts for 2021/22. To assist you in that process, I can confirm that I have received and reviewed the required assurances from my own Assistant Directors/senior managers.
2. Based on that review, and my own knowledge of internal control matters in my business group I can confirm that these controls have been, and are, working well. There are, in my opinion, no significant matters arising in my area of responsibility which would require to be raised specifically in the governance statement.

Name of Director: Antony Clark

Business Group: Performance Audit and Best Value

Signature:

A handwritten signature in blue ink, appearing to read "Antony Clark", with a horizontal line underneath.

Date: 25 March 2022

CERTIFICATE OF ASSURANCE



To Audit Scotland's Accountable Officer

ANNUAL ACCOUNTS 2021/22: ASSURANCE FOR THE GOVERNANCE STATEMENT

1. I am aware, as Director for the Audit Services Group, that you are required to sign a governance statement for the annual accounts for 2021/22. To assist you in that process, I can confirm that I have received and reviewed the required assurances from my own Assistant Directors/senior managers.
2. Based on that review, and my own knowledge of internal control matters in my business group I can confirm that these controls have been, and are, working well. There are, in my opinion, no significant matters arising in my area of responsibility which would require to be raised specifically in the governance statement.

Name of Director: Fiona Kordiak

Business Group: Audit Services

Signature:

A handwritten signature in black ink, appearing to read "Fiona Kordiak", written over a light blue circular stamp.

Date: 25 March 2022

CERTIFICATE OF ASSURANCE



To Audit Scotland's Accountable Officer

ANNUAL ACCOUNTS 2021/22: ASSURANCE FOR THE GOVERNANCE STATEMENT

1. I am aware, as Interim Director for the Corporate Services Group, that you are required to sign a governance statement for the annual accounts for 2021/22. To assist you in that process, I can confirm that I have received and reviewed the required assurances from my own Assistant Directors/senior managers.
2. Based on that review, and my own knowledge of internal control matters in my business group I can confirm that these controls have been, and are, working well. There are, in my opinion, no significant matters arising in my area of responsibility which would require to be raised specifically in the governance statement.

Name of Director: Martin Walker

Business Group: Corporate Services Group

A handwritten signature in black ink, appearing to read "Martin Walker", written over a horizontal line.

Signature:

Date: 24 March 2022



Alexander Sloan
Accountants and Business Advisers

Audit Scotland

Audit summary report

for the year ended 31 March 2022

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Scope

As the External Auditor we are required by legislation to report to the Scottish Commission for Public Audit (the 'Commission') our findings from the annual audit of the Accounts of Audit Scotland. The purpose of this report is to summarise for the Commission the key issues arising from our audit of the Accounts for the year ended 31 March 2022.

Acknowledgements

We would like to thank the management and staff of Audit Scotland for their assistance and co-operation during the audit.

Audit Opinion

The scope of an external audit is set by the Financial Reporting Council. The main objective of the audit is to form an opinion as to whether the Accounts of Audit Scotland give a true and fair view of the state of affairs of Audit Scotland at 31 March 2022 and of its net resource outturn for the year, and confirm that the Accounts are prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and Directions by Scottish Ministers.

Responsibilities

The responsibilities of Audit Scotland and ourselves as auditors are set out within the audit report.

Letter of Representation

Our audit opinion is based on the signing of the letter of representation and the accounts by the Accountable Officer and no further significant events arising up to the point of signing the audit report. The letter of representation has been sent to Audit Scotland for approval by the Accountable Officer.

Fraud

Although we are required under International Standards on Auditing to consider fraud when carrying out our audit, the purpose of our audit is not the detection of fraud. Responsibility for the prevention and detection of fraud rests with the Accountable Officer who should not rely wholly on the external audit function to discharge these responsibilities.

Scope of Audit

Our audit report is made solely to the Scottish Commission for Public Audit, as a body, in accordance with Section 25 of the Public Finance Accountability (Scotland) Act 2000. Our audit work is undertaken so that we might state to the Scottish Commission for Public Audit those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scottish Commission for Public Audit for our audit work, for the audit report, or for the opinions we form.

Audit Independence and Ethics

We can confirm that we have complied with the FRC ethical standards and the ethical safeguards as set out in the Audit Plan.

Audit Plan

The Audit Plan for the period ended 31 March 2022 sets out any matters that we are required to inform you of under the Financial Reporting Council (FRC) Ethical Standard and International Standard on Auditing (UK) 260: “Communication with those charged with governance”. We can confirm that as far as we are aware there are no changes to these matters or any further issues that may reasonably be thought to bear on the objectivity and independence of the audit team.

Ethical Assurance

We can specifically confirm:

- the firm is not dependent on the audit fees;
- the firm is not owed significant overdue fees;
- there is no actual or threatened litigation between the firm and Audit Scotland;
- no benefits have been received by the audit team which are not modest;
- the firm does not have any mutual business interest with Audit Scotland or the Scottish Commission for Public Audit;
- no members of the audit team have any personal or family connections with Audit Scotland, the Scottish Commission for Public Audit or their officers.

At the conclusion of the audit we have also conducted a review of our independence and objectivity. In our professional opinion, our independence and objectivity has not been compromised and the firm has acted in accordance with the FRC Ethical Standard.

Key Audit Issues

We have set out below how we have dealt with the key audit issues and risks during the course of the audit.

Risks identified during audit planning	Resolution
Management Override of Controls International Standard on Auditing (UK) 240 requires us to treat management override of financial controls as a significant risk.	Our audit work did not identify any material override of financial controls.
Revenue Recognition ISA (UK) 240 requires the auditor to presume that there are risks of fraud in revenue recognition.	Our audit work did not identify any material misstatement of revenue.
Key Accounting Estimates As in previous years, the financial statements of Audit Scotland for the year ended 31 March 2022 include a number of key estimates. Key estimates include provisions in respect of fee rebates and pension assumptions as well as work in progress, which is considered below.	We have reviewed supporting documentation and assumptions in respect of the key accounting estimates and are satisfied that the provisions are not materially misstated.
Work In Progress As set out in our planning letter our audit involved a detailed review of the work in progress balance.	We have reviewed Audit Scotland's work in progress and are satisfied that the balance is not materially misstated.
Covid-19 Pandemic There is a risk that the operations of Audit Scotland could be adversely impacted as a result of the Covid-19 outbreak.	We have discussed the impact of Covid-19 with senior management of Audit Scotland. Based on the work carried out we are satisfied this does not impact our audit report.

Qualitative Aspects of the Financial Statements

We have considered the key qualitative aspects of the financial statements and are satisfied these are reasonable.

Qualitative Aspects	Audit Findings
Accounting Policies FReM requires that entities should review their accounting policies regularly to ensure they are appropriate to its particular circumstances for the purposes of giving a true and fair view. As part of the audit we consider the appropriateness of these policies.	We have reviewed the significant accounting policies and are satisfied that they are reasonable and appropriate to Audit Scotland's circumstances.
Accounting Estimates and Judgements FReM requires that entities should use estimates and judgements appropriate to its particular circumstances for the purposes of giving a true and fair view. As part of the audit we consider the appropriateness of these estimates and judgements.	We have reviewed the significant accounting estimates and judgments and are satisfied that they are reasonable and appropriate to Audit Scotland's circumstances.
Timing of Transactions Audit Scotland are responsible for having accounting systems in place which accurately record financial transactions. During the audit we consider whether transactions have been recorded within the correct period.	No material recording issues were identified during the course of the audit.
Going Concern The Accountable Officer is responsible for assessing whether Audit Scotland is a going concern for 12 months from the date of signing of the audit report. As auditors we review the Accountable Officer's assessment and whether we believe it is appropriate.	During our audit we have considered Audit Scotland's assessment that the organisation is a going concern. Based on discussions with the Management team, review of budgets and as there is no expectation that funding will be withdrawn, we are satisfied that the organisation's assessment is appropriate.

Qualitative Aspects of the Financial Statements (continued)

Qualitative Aspects	Audit Findings
Disclosures Audit Scotland is responsible for the preparation of their financial statements. We consider whether they are presented in accordance with Financial Reporting Manual (FReM).	We did not identify any material disclosure errors within Audit Scotland's financial statements.

Adjustments to the Financial Statements

We have considered the impact on the audit report of any potential adjustments identified during the course of the audit.

Scope

During the course of our audit we may identify potential adjustments to the financial statements. All potential adjustments, which are not trivial, are discussed with the Accountable Officer. The decision as to whether to adjust the financial statements lies with the Accountable Officer as responsibility for the financial statements lies with the Accountable Officer. As auditor, when preparing our audit report, we will consider whether the financial statements are materially misstated.

Internal Controls

We can confirm that we have complied with the FRC Ethical Standard and the ethical safeguards as set out in the Audit Planning document.

Scope

During the audit we will consider if we have identified any control weaknesses, from our work, which are of sufficient importance to be brought to the attention of the Scottish Commission for Public Audit. It should be noted that the matters dealt with in this report came to our attention only during the normal course of our audit work and not as a result of a special review of Audit Scotland's systems, procedures and controls. The findings in this report are not designed to be a complete record of weaknesses in your system.

Responsibility

Overall responsibility for maintaining adequate financial reporting systems and systems of internal control, as well as for the prevention and detection of fraud, irregularities, and other errors, rests with the Accountable Officer.

Management

Please note that any control weaknesses noted are not intended to reflect in any way on the integrity or competence of any member of Audit Scotland's staff from whom we have received every assistance and co-operation.

Findings

We are pleased to note there are no control weaknesses for us to report following the audit.

Other Matters

Future Issues

Please see our website www.alexandersloan.co.uk for further issues that may impact Audit Scotland.

Internal Audit

As part of our audit work we have reviewed the Internal Audit Reports on the controls within Audit Scotland and held regular meetings with Audit Scotland's Internal Auditors.

Having an effective working relationship with the Internal Auditors has helped us to gain a greater understanding of Audit Scotland and its control environment.

A Greener Audit

The firm is committed to minimising its impact on the environment in the services that it provides. The following measures have been put in place to minimise the carbon footprint of your audit:



Paperless Audit

The audit was entirely paperless. The work was carried out electronically and will be stored electronically.



Travel

We did not travel to your premises to carry out audit work and the majority of work was carried out by staff working from home.



Reporting

All our reporting to you, including our audit report, was provided to you electronically.



Meetings

All meetings were carried using video conferencing applications.



Power

We use cloud based servers from a company that has net zero emissions.



Commitment

We are committed to further reducing our carbon footprint.

We aim to further develop this process and will seek to report to you annually on the environmental impact of our audit and will, where appropriate, make recommendations where improvements could be made to your systems that will have an environmental benefit.

Contacts

Should you require any further information regarding any matter raised in the report, then please contact one of your key contacts as set out below:

Contact	Phone	Email
David Jeffcoat Partner	0131 228 7979	david.jeffcoat@alexandersloan.co.uk
Jillian So Manager	0131 228 7979	jillian.so@alexandersloan.co.uk



Alexander Sloan
Accountants and Business Advisers

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Alexander Sloan is registered to carry on audit work and regulated for a range of investment business activities by the Institute of Chartered Accountants of Scotland.